

television, through its partnership with other cable and telecommunications companies. Sprint's CEO, William Esrey, recently announced construction of a packet-switched high bandwidth data network designed to carry voice, data and Internet traffic simultaneously on a single line.<sup>37</sup> This Integrated On-Demand Network ("ION") will be marketed to business and residential customers. Access to customers will use Broadband Metropolitan Area Networks which Sprint will deploy in close to 100 cities by the end of 1999 and XDSL technologies where Broadband Metropolitan networks are unavailable. In addition, Sprint focuses on wireless services, using its PCS network. In the PCS spectrum auction, Sprint paid \$2.1 billion to win licenses in 29 markets. Sprint has also begun laying the foundation for its eventual bundled service offerings—telecommunications and cable—by offering cable discounts for customers who sign on with Sprint.

56. In sum, each of the three major IXC's is a more likely entrant into local exchange markets in Chicago than is SBC or in St. Louis than is Ameritech. They have experience, brand reputation, and local and long distance facilities in place along with existing customer relationships.

## **2. Competitive Access Providers**

57. CAPs are CLECs with switches and optical fiber transport facilities that can be expanded to provide facilities-based local exchange service. Possessing facilities and a customer base, CAPs are more likely potential competitors for local exchange services than SBC or Ameritech. Most CAPs grew out of optical fiber metropolitan area networks where they supplied high capacity services to business customers in city centers and arbitrated carrier access charges. By March, 1995, CAPs had captured 10-15% of the national carrier access market, forcing SBC, Ameritech and other RBOCs to lower their access prices by 20-30% annually and improve the quality of their services.<sup>38</sup> With the addition of switches, CAPs have

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<sup>37</sup> "Sprint Unveils Revolutionary Network," PR Newswire, June 2, 1998.

<sup>38</sup> Bernstein Research, *Telecommunications: Convergence and Divergence*, March 1995.

made significant inroads into local exchange markets, particularly in the major urban areas. The largest and most successful CAPs have recently merged with other carriers to form full-service vertically integrated telecommunications suppliers.

58. TCG was the original CAP, and combined with AT&T, it has 90 local switches in SBC's region and 68 in Ameritech's region. By the time (January 1998) that AT&T announced its purchase of TCG for \$11.3 billion, TCG was billing itself as the nation's largest competitive local exchange carrier.<sup>39</sup> AT&T-TCG has extensive fiber and collocation facilities across the SBC-Ameritech region, and the partnership appears to make the entities stronger and better poised as competitors to all other CLECs and ILECs.

59. MFS-WorldCom-Brooks Fiber has network facilities in nearly every state in SBC-Ameritech territory including—when combined with MCI—82 local switches in SBC's region and 33 in Ameritech's. On August 27, 1996 MFS was acquired by WorldCom to form what the New York Times described as the "nation's first fully integrated local and long-distance phone company since the breakup of the Bell System in 1984."<sup>40</sup> Subsequently, WorldCom has also acquired Brooks Fiber, another facilities-based local exchange provider and has proposed to merge with MCI. These acquisitions give both companies a competitive advantage relative to out-of-region ILECs with the combination of available facilities, a customer base and the MCI brand recognition.

60. Other CAPs of competitive significance include Intermedia Communications with multiple local switches in both St. Louis and Chicago, NEXTLINK and Mark Twain Communications which have multiple switches in Chicago and St. Louis respectively and approximately 10 additional CLECs which own switches in Chicago or St. Louis. Digital

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<sup>39</sup> "Wall Street Likes AT&T-Teleport, But TCG's Bell Rivals Attack Deal," *Telecommunications Reports Daily*, January 9, 1998.

<sup>40</sup> Mark Landler, "WorldCom to Buy MFS for \$12 Billion, Creating a Phone Giant," *New York Times*, August 27, 1996 at D1.

Teleport maintains an extensive network in St. Louis (470 route miles with 76 buildings on-net), and 7 other CAPs<sup>41</sup> have networks planned or under construction in Chicago.

### **3. Cable Companies**

61. Cable TV operators have used various strategies to provide local telephone service: (i) clustering, (ii) upgrading networks, (iii) branding, and (iv) packaging, particularly with high-speed Internet access services. . In the words of Time-Warner's president.

Time Warner, like many of the other cable MSOs, has been purchasing, trading and joint venturing its cable systems in scores of markets across the country in order to consolidate assets and operations in more manageable geographic regions... These clusters will be the focus of our cable operations for years to come...<sup>42</sup>

As cable TV firms have clustered to achieve economies of scale, the number of major groupings in the SBC-Ameritech region has decreased. Cable suppliers such as Time Warner, Cox Communications, and Cable Lightpath are upgrading their networks and installing switches to supply traditional local exchange services to residential and business customers, packaging services with long distance supplied by IXC's, and supplying fast Internet access by cable modems. In SBC's region, Cox has installed 4 local switches, MediaOne has 9 and Time Warner has 4. In Ameritech's region, Time Warner has installed 4 switches. Time Warner and Cox have fiber networks in Ameritech and SBC territory, respectively. A number of companies have cable modem operators in SBC and Ameritech regions, including Cox Communications, GTE, MediaOne, Horizon Cable and Time Warner.

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<sup>41</sup> Allegiance Telecom, e.spire, MFN, MGC Communications, Teligent, and 21<sup>st</sup> Century Telecom.

<sup>42</sup> Prepared testimony of Richard D. Parsons, President, Time Warner, Inc., before the Senate Committee on the Judiciary Subcommittee on Antitrust, Business Rights and Competition, July 7, 1998.

62. TCI serves more than half of the cable subscribers in St. Louis and nearly 95 percent of the cable subscribers in the Chicago area.<sup>43</sup> The company is currently spending more than \$1.8 billion to upgrade its cable network to improve service quality and to enable two-way capability for Internet and information services. Across the U.S., TCI connects to approximately 10 households in 100 and passes an additional 7 households.<sup>44</sup> In the SBC-Ameritech region, TCI passes 10.8 million homes and has 7.1 million subscribers served from 127,000 miles of coax and 2,900 miles of fiber.<sup>45</sup> Similarly Time Warner has built over 35 cable clusters of over 100,000 subscribers. Time Warner plans to upgrade 70 percent of its clusters in the next two years and invest over \$4 billion in cable system infrastructure improvements.<sup>46</sup>

#### **4. Internet Services**

63. With the unprecedented growth in traffic on the Internet, demand for Internet access and for backbone capacity is growing far more rapidly than demand for other communications services. ILECs are relatively small participants in this market. There are estimated to be more than 4,500 ISPs in North America, of which the largest (by revenues) include MCI, UUNet Technologies, Netcom, AT&T and PSInet.<sup>47</sup> Similarly, RBOCs such as SBC and Ameritech do not operate the Internet backbone networks which are dominated by MCI-WorldCom, AT&T and Sprint.<sup>48</sup>

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<sup>43</sup> L. Rackl, "TCI takes Over in Local Cable Market: Purchase gives Firm 93 percent of Chicago Market," *Chicago Herald Daily*, April 18, 1998, at 1.

<sup>44</sup> Prepared Testimony of C. Michael Armstrong, Chairman and CEO, AT&T Corp. before the Senate Committee on Judiciary Antitrust, Business Rights and Competition Subcommittees, July 7, 1998.

<sup>45</sup> Claritas and Warren Publishing, *Cable System Database*, 1997.

<sup>46</sup> "Prepared Testimony of Richard D. Parsons, President, Time Warner, Before the Senate Committee on the Judiciary," Federal News Service, July 7, 1998.

<sup>47</sup> *Boardwatch Magazine, Directory of Internet Service Providers*, Winter 1998, at 5. *Computerworld*, May 20, 1996 at 68.

<sup>48</sup> The proposed MCI-WorldCom merger threatened to increase concentration in the supply of backbone Internet services, but recent indications are that MCI-WorldCom-MFS-Brooks (continued...)

64. Cable companies have been converting their networks to digital in order to provide high speed Internet services, and "data CLECs" such as Northpoint Communications and well-established CLECs such as TCG are providing digital subscriber line services to their customers. Though many ILECs provide Internet connections, they are not dominant suppliers, and there is robust competition in the ISP marketplace.

## **5. Summary**

65. In comparison with other telecommunications suppliers in Chicago and St. Louis, SBC and Ameritech would have no unique advantage over other potential entrants in entering each other's local exchange market. Each currently possesses cellular facilities in the other's territory, but (i) neither firm clearly succeeded in reselling local exchange service to its cellular customers and (ii) in any case, rectifying the overlapping cellular licenses will ensure that an independent cellular provider will remain in each market so that potential competition from a cellular provider will not be diminished by the merger. Integrated IXC's such as AT&T-TCG-TCI, MCI-WorldCom-MFS-Brooks Fiber-UUNet and Sprint are certainly more likely entrants into Chicago and St. Louis local exchange markets than are SBC or Ameritech (respectively) since they have facilities, reputations, complete packages of services and customer relationships with every household in the region. Compared with wireless carriers, SBC and Ameritech have no necessary advantage in reselling ILEC local exchange service to their cellular customers, and, on the contrary, will be disadvantaged because they cannot supply interstate long distance services along with wireline local and wireless service. In short, where they lack facilities, a customer base and strong brand recognition, SBC and Ameritech would be less likely than IXC's, CAPs, cable companies or wireless suppliers to offer out-of-region local exchange service in each other's mass markets. In addition, absent the merger, SBC and Ameritech would be no more likely than any other ILEC to enter an out-of-region local exchange market.

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(...continued)

Fiber-UUNet will spin off MCI's wholesale and retail Internet services to Cable & Wireless as a condition of the merger in the EC and the US.

## V. CONCLUSIONS

66. In our opinion, the proposed merger will produce a net benefit for consumers. There is no economic theory or scintilla of evidence to suggest that the merger poses any threat to actual or potential competition in local exchange, exchange access or long distance telecommunications markets. SBC and Ameritech do not currently compete in any market, and technological, legal and regulatory changes to those markets ensure that there are many actual and potential entrants into those markets better suited to compete with SBC than Ameritech and vice-versa.

67. On the contrary, the transaction would benefit competition and, ultimately, telecommunications customers by (i) encouraging facilities-based local exchange competition among ILECs initially to protect their large business customer base, and (ii) creating a more potent telecommunications competitor in domestic long distance markets, able to compete successfully with national and global multi-service, multi-technology firms. The merger would bring the benefits of increased facilities-based local exchange and long distance competition to consumers. It would expand the base of customers and services from which costs of research and development for new services are recovered and reduce other unit costs by eliminating overlap and redundancies. The higher return from research and development would stimulate a more rapid supply of new products and services. The merger would permit the combination of the best practices of both organizations to improve service quality. In net, the process of competition—both in local exchange and long distance markets—would be enhanced by the transaction and from that improvement, all consumers would necessarily benefit.

Pursuant to 47 C.F.R. §§ 1.743(c), 1.913(c), 5.54(c), the preceding document is a copy of the original signed affidavit, which was filed as an attachment to Exhibit 2 to the Form 490 applying for the Commission's consent to transfer control of Part 22 licenses held by Detroit SMSA Limited Partnership from Ameritech Corporation to SBC Communications Inc. That Form 490 was filed concurrently with this application.



**AFFIDAVIT OF TERRY D. APPENZELLER**

STATE OF ILLINOIS        )  
                                  ) SS:  
COUNTY OF COOK        )

TERRY D. APPENZELLER, being duly sworn, deposes and says:

**I.     Introduction and Qualifications**

1.     My name is Terry D. Appenzeller. My business address is 2000 West Ameritech Center Drive, Hoffman Estates, Illinois 60196-1025.
2.     I graduated in 1969 from the University of Redlands, California, with a BA in Business Economics. In 1988, I completed the Advanced Management Program in Telecommunications at the University of Southern California (USC). I have taught telecommunications policy at USC as part of their Executive MBA program.
3.     I have 29 years of telecommunications experience and have been employed by three different companies during that time frame. From 1969 to 1983, I was employed by Pacific Bell in various management positions in customer service, network operations, finance, installation and maintenance, budgets and results, regulatory and carrier relations. From 1983 to 1985, I was National Director of Carrier Relations at Satellite Business Systems (SBS). I was chiefly responsible for developing the Equal Access Plans of Pacific Bell and SBS.

4. From 1985 to the present, I have been at Ameritech as, successively, Senior Director-Equal Access and Account Management, Senior Director-Open Network Architecture and Interconnection, and Vice President-Open Market Strategy. I was deeply involved in developing Ameritech's Open Network Architecture Plan in response to the Commission's Computer Inquiry III requirements (1988-1993). I was also deeply involved in the creation and development of the Ameritech Customers First Advanced Universal Access plan (1993-1995), which anticipated the local exchange market opening requirements of the Telecommunications Act of 1996 ("TA96" or the "Act").

5. I have been Ameritech Vice President-Open Market Strategy and Director-Local Competition since July 1993. My overall job responsibilities are to identify and resolve public policy issues associated with local competition throughout Ameritech's states, track local competition development, and direct Ameritech's responses to state and federal proceedings associated with local competition. One of my specific responsibilities is to manage and direct Ameritech's compliance with Sections 251 and 271 of TA96, including documentation of such compliance in long distance applications with state and federal regulatory agencies. I direct and coordinate the work activities of Ameritech's internal subject matter expert teams assigned to the "Competitive Checklist". Additionally, I represent Ameritech's positions and progress on these issues to regulators, including the collaborative Section 271 meetings with the Federal Communications Commission (the "Commission"),

Department of Justice ("DOJ") and state regulatory staffs. In carrying out my duties, I have also filed testimony and appeared before the Illinois Commerce Commission and Michigan Public Service Commission. I have also filed affidavits with the Commission in conjunction with Ameritech's long distance application in Michigan.

6. As part of my responsibilities, I review and use voluminous monthly reports prepared by Ameritech Information Industry Services ("AIIS"). AIIS is the Ameritech unit charged with tracking developments in local exchange competition and Ameritech's compliance with Sections 251 and 271 of TA96. In particular, AIIS tracks developments related to Ameritech's compliance with the Section 271 Competitive Checklist. All of the information presented in this affidavit is derived from AIIS reports from May and June 1998.

## **II. Purpose of Testimony**

7. In this affidavit, I intend to demonstrate that Ameritech has been a leader among incumbent local exchange carriers in the facilitation of local exchange competition, and believes it has met the requirements of the local exchange competition section of the Act, Section 251. Numerous CLECS are operational and are utilizing all three methods of providing service to customers contemplated in the Act -- resale of Ameritech's facilities, provision of competitive facilities and the combination of facilities obtained from Ameritech on an unbundled basis with competitive facilities.

**III. AMERITECH HAS PROMOTED AND PIONEERED LOCAL EXCHANGE COMPETITION AS WELL AS IMPLEMENTED THE LOCAL EXCHANGE COMPETITION PROVISIONS OF THE TELECOMMUNICATIONS ACT OF 1996**

**A. Ameritech Actions Prior to the Telecommunications Act**

8. In 1992, Ameritech began working with the existing CLECs to develop a plan for opening up the local exchange via switched facilities (competitive dial tone). Ameritech asked for their requirements and responded with a pioneering plan to meet all of their needs--the Ameritech Customers First Plan, which was filed with the Commission in March 1993. This plan developed unbundled offerings such as unbundled loops, pioneered methods for interconnecting competing networks on a peer-to-peer basis, and began the development process for Long Term Number Portability that eventually became the national architecture and operational plan. Ameritech actually began selling unbundled loops and interconnected CLEC switched services in 1995. The industry worked together in Illinois beginning in early 1995, through a Number Portability Workshop chaired jointly by Ameritech, AT&T and the Illinois Commerce Commission to design the Long Term Number Portability platform. Ameritech held extensive collaborative meetings with the Commission, DOJ and state regulators about the Customers First Plan--received input, modified our plans and implemented them. As a result, much of this pioneering work was incorporated into the Act itself and subsequent Commission orders.

Ameritech helped to facilitate local exchange competition, therefore, not only within our own territory, but nationally.

9. While Ameritech designed and developed a competitive local exchange entry plan with CLEC input and regulatory consultation, Ameritech also developed a new separate business unit--Ameritech Information Industry Services ("AIIS")--to serve competitors' local exchange needs. This unit was originally staffed with approximately 100 employees in 1993, and has now grown to over 1200 employees as local exchange carriers entered our market and availed themselves of Ameritech's offerings.

**B. Ameritech's Actions Subsequent to the Passage of the Act**

10. Ameritech did not have to start from ground zero when the Act was passed. Ameritech built upon what was already well underway. To date, Ameritech has spent over \$2 billion to further local exchange competition through:

- Increasing and enhancing the AIIS business unit staff, resources, space and service centers;

- Developing and implementing responsive electronic systems for handling CLEC pre-ordering, ordering, provisioning, maintenance and billing requirements. As a result, most CLEC orders are handled electronically today.

- Enhancing these systems to meet the most optimistic CLEC forecasts of demand with room to spare. AIIS, for example, routinely handles over 1000 orders for resale and unbundled elements each day.

-- Developing and implementing services and facilities for CLECs within Ameritech's network, such as Long Term Number Portability and a wide variety of unbundled loops.

-- Training of Ameritech and CLEC employees and providing up-to-date access, via a user friendly web site, to the latest offerings, procedures and updates.

11. Ameritech is an active, and often a leading, participant in industry standards organizations and forums dealing with interconnection issues. The company voluntarily implements industry consensus standards developed in these industry organizations.

12. Competing carriers are offering service in more than 80 percent of the communities Ameritech serves in its five states in the upper Midwest, and virtually every Ameritech community in Illinois and Michigan. Ameritech has fully implemented and made available all of the services and facilities contemplated by the provisions of Sections 251 and 271 of the Act, as summarized in the following paragraphs.

#### **IV. Ameritech Has Fully Implemented Each Requirement of Section 251(a)**

13. Ameritech believes it is fulfilling all of the duties imposed upon telecommunications carriers by Section 251(a) of TA96. Ameritech is directly or indirectly connected with the facilities of other telecommunications carriers that have requested such interconnection. In addition, Ameritech has not installed network features, functions or capabilities that do not comply with the guidelines and stan-

dards established pursuant to Sections 255 and 256. Ameritech fully supports all requirements associated with Section 255 - access to persons with disabilities. Ameritech also complies with Section 256 (Coordination for Interconnectivity) by active industry forum participation and standards organization membership. As noted earlier, Ameritech is often a leader of committees within these organizations.

**V. Ameritech Has Fully Implemented Each Requirement of Section 251(b)**

14. Ameritech believes it is fulfilling each of the duties imposed upon local exchange carriers ("LECs") by Section 251(b) of TA96. The following summary provides an overview of Ameritech's implementation of each item. The order and headings correspond to the headings that appear in Section 251(b).

**Resale**

15. Ameritech has been offering resale since prior to TA96. Ameritech currently is permitting resale of its telecommunications services on a reasonable and non-discriminatory basis in each of its five states pursuant to tariff, as required by Section 251(b)(1). It furnishes resale services to 39 carriers in its five states pursuant to interconnection or resale agreements, as required by Sections 251(c)(4), 252(d)(3) and 271(c)(2)(B)(xiv). The systems, methods and procedures by which these resold services are ordered, provisioned, billed, etc., and by which the nondiscrimination and parity requirements are satisfied are the same throughout the Ameritech region. As of May 1998, Ameritech had provisioned 635,000 lines to competitors on a resale

basis.<sup>1</sup> In addition, there has been a substantial amount of Centrex resale in the Ameritech region. Ameritech has established a specific business unit to focus strictly on Centrex resale. As of May 1, 1998, approximately 175,000 resold Centrex lines were in service in the Ameritech region.

### **Number Portability**

16. Ameritech is providing interim number portability ("INP") to carriers in all five states, in accordance with the requirements prescribed by the Commission pursuant to Section 251(b)(2). INP is being provided to these carriers pursuant to their interconnection agreements, as required by Section 271(c)(2)(B)(xi), via Remote Call Forwarding ("RCF") and Direct Inward Dialing ("DID").

17. Ameritech is providing Long Term Number Portability ("LTNP") in the following major metropolitan areas: Chicago, Detroit, Cleveland, Indianapolis, Milwaukee and Columbus. All of these were converted in 1998, as required by the Commission's Number Portability Order (June 26, 1996 First Report and Order). LTNP will be available in the remainder of Ameritech's major metropolitan areas during the second half of 1998, as required by the Number Portability Order. Ameritech has also made available LTNP in other smaller cities in Michigan and Illinois, such as Springfield and Champaign, pursuant to requests from other carriers.

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<sup>1</sup> Source: AIS Competitive Checklist, May 1998.

18. Ameritech is working with carriers to transition customers served via INP to LTNP. Based on agreements reached by carriers in industry number portability forums, this transition requires 120 days. Once the conversion period in a given area is complete, INP is no longer offered in that area.

19. Where INP is available, Ameritech provides the service at no charge to the carrier. Recovery of costs is subject to development of a competitively neutral cost recovery mechanism. For LTNP, the Commission has developed a cost recovery mechanism that is due to be implemented in February 1999.<sup>2</sup>

20. As of July 1, 1998, Ameritech has ported approximately 2,700 numbers in the five states using LTNP and 108,000 using INP.

#### **Local Dialing Parity**

21. Ameritech has been and currently is furnishing local dialing parity (through interconnection, number portability and nondiscriminatory access to phone numbers) on all of its switches and access lines, and to carriers that have interconnection agreements, in its five states. Thus, Ameritech is meeting the requirements of Sections 251(b)(3) and 271(c)(2)(B)(xii). More than 1.125 billion minutes of local inter-network calls were completed during April 1998 with full local dialing parity.

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<sup>2</sup> Third Report and Order in the Matter of Telephone Number Portability, Released 5-12-98, Docket 98-82.

**Telephone Numbers. Operator Services. Directory Assistance and Directory Listings**

22. Ameritech is furnishing to carriers in each of its five states non-discriminatory access to telephone numbers, directory assistance, operator services and directory listings pursuant to their interconnection agreements or tariff, as required by Section 251(b)(3). Ameritech's procedures for furnishing services are established and implemented on a region-wide basis, and ensure that the services are provided at parity, as required by Section 271(c)(2)(B)(vii). As of May 31, 1998, 477 directory assistance trunks and 197 operator services trunks from switches of competing carriers were in service in the five states.

23. Ameritech currently is furnishing listings in its white pages directories to carriers in every Ameritech state pursuant to their interconnection agreements. To date, a total of 42 carriers operating in all of the five states have provided listings to Ameritech for inclusion in its white pages directories. Ameritech's white pages directory policies are implemented on a region-wide basis and both the Michigan PUC and Ameritech's competitors have stated that Ameritech appears to provide these services at parity.

24. Although it is in the process of relinquishing the responsibility, Ameritech is still the Central Office Code Administrator in each of its in-region states. In that capacity, it furnishes nondiscriminatory access to telephone numbers for assignment to the networks of competing carriers, in accordance with the Central

Office Code Assignment Guidelines and the NPA Code Relief Planning Guidelines, under the oversight and complaint jurisdiction of each state's PUC and the Commission. Ameritech has furnished, and under its interconnection agreements continues to furnish, telephone numbers to competing carriers in compliance with Section 271(c)(2)(B)(ix).

25. As of June 1, 1998, Ameritech had assigned 1157 central office codes (typically the first three digits of a telephone number, referred to as an NXX) at no cost to competing local exchange carriers in its five states. Each NXX code can serve about 10,000 telephone numbers; thus, over 11 million numbers now are available to CLECs. This listing does not include any of the 635,000 lines taken and resold by competitors (see paragraph 15 above).

#### **Access to Rights-Of-Way**

26. Ameritech currently is making available to all competitors throughout all five states nondiscriminatory access to poles, ducts, conduits and rights-of-way, as required by Section 251(b)(4). The access available to these carriers is at rates that conform to the requirements of Section 224 and Section 271(c)(2)(B)(iii) on the terms and conditions approved by the telephone regulatory agency ("PUC") in each state. The procedures and methods by which Ameritech provides such access and ensures nondiscrimination and parity are employed on a region-wide basis, and were reviewed by the Commission and conceded by CLECs to conform to the requirements of Section 271. This remains true. To date, Ameritech has furnished compet-

ing carriers with access to approximately 748,229 feet of conduits and ducts and 211,907 poles in Michigan, 1,370,233 feet and 286,428 poles in Ohio, 103,916 feet and 117,664 poles in Indiana, 763,373 feet and 478,093 poles in Illinois, and 25,926 feet and 78,368 poles in Wisconsin.

### **Reciprocal Compensation**

27. Ameritech has established arrangements, through tariffs and interconnection agreements, to pay reciprocal compensation for local traffic in each state as required by Section 251(b)(5). Pursuant to these arrangements, Ameritech currently furnishes reciprocal compensation for the exchange of local traffic to dozens of carriers, including both CLECs and CMRS providers, in each in-region state, as required by Section 271(c)(2)(B)(xiii). The tariff rates were approved by the relevant state PUCs. The rates provided for in many of these interconnection agreements were the product of private negotiations between the parties, while the rates provided for in the remainder were arbitrated. In the case of arbitrated agreements, reciprocal compensation was paid through a true-up after the agreement was finally approved. A substantial amount of local traffic is being exchanged on an ongoing basis between Ameritech, on the one hand, and competing carriers, on the other. In fact, in April 1998, Ameritech handled 1.125 billion minutes of incoming and outgoing traffic subject to reciprocal compensation.

28. There is one major open issue with regard to reciprocal compensation. Ameritech, like many LECs, is in a dispute with certain CLECs who claim that

Internet Service Provider ("ISP") traffic is local traffic on which reciprocal compensation must be paid pursuant to TA96, the Commission's implementing regulations or Ameritech's approved interconnection agreements. This issue is presently before various state PUCs and state and federal courts in proceedings to which Ameritech is a party. In addition, the issue is pending before the Commission in CCB/CPD 97-30.

**VI. Ameritech Has Fully Implemented Each Requirement of Section 251(c)**

29. Ameritech believes it is also fulfilling each of the duties imposed upon incumbent LECs ("ILECs") by Section 251(c) of TA96. The following summary provides an overview of Ameritech's implementation of each item. The order and headings correspond to the headings that appear in Section 251(c).

**Duty to Negotiate**

30. In each of the five states, Ameritech has negotiated in good faith with any telecommunications carrier requesting negotiation of an interconnection agreement, as required by Section 251(c)(1). Such requesting carriers have included competing local exchange carriers ("CLECs"), resellers, CMRS providers and others. As a result of these negotiations, or arbitrations resulting therefrom, there are now 175 interconnection agreements in effect in the Ameritech states. Each of these agreements has been approved by the relevant state PUC, either as a voluntarily negotiated agreement under Section 252(e)(1) or as a result of an arbitration proceeding pursuant to Section 252(b)-(e).

## **Interconnection**

31. In each of the five states, Ameritech is providing interconnection to any requesting telecommunications carrier (i) at any technically feasible point, (ii) at parity with the interconnection Ameritech provides to itself and its affiliates, (iii) on a nondiscriminatory basis and (iv) on rates terms and conditions that are just, reasonable and nondiscriminatory, as required by Section 251(c)(2). Such interconnection is being provided pursuant to tariff and interconnection agreements in each state. Each of these agreements has been approved by the relevant state PUC, either as a voluntarily negotiated agreement under Section 252(e)(1) or as a result of an arbitration proceeding pursuant to Section 252(b)-(e).

32. Carriers can avail themselves of interconnection at any technically feasible point on Ameritech's network to exchange traffic, access call-related databases and access unbundled network elements. These available interconnection points include the line and trunk sides of the local switch, the central office cross connect points, out-of-band signaling transfer points and the trunk interconnect points on the tandem switch. As of June 22, 1998, about 182,491 interconnection trunks of competing carriers were in service in Ameritech's five-state territory.

33. The improvement in the trunk blocking rate has continued from May 1997 to the present. After consultation with Commission staff, Ameritech has taken a number of actions that have fueled this improvement. Specifically:

- Ameritech has increased the number of interconnection trunks by 248% (from 52,364 to 182,491), augmenting them at a rate faster than the growth of traffic exchanged with competitors over such trunks.
- Ameritech has developed and uses a call completion report that measures whether trunk group blockage and call blockage is at parity.
- The call completion report reflects the actual level of traffic being successfully completed, and thereby reflects trunk group size and successful rerouting of traffic.
- Pursuant to its interconnection agreements, Ameritech's recommended network interconnection and architectural practices are at parity with how Ameritech interconnects its own offices, and have been adopted by all CLECs.
- TCG's complaints have been resolved and interconnection is being provided to it at parity.
- Ameritech provides peg count and overflow data to CLECs that enables them to identify and correct trunk group blockage problems.

#### **Unbundled Access**

34. In each of the five states, Ameritech is providing, to any requesting telecommunications carrier, unbundled access to network elements for the provision of a telecommunications service, as required by Section 251(c)(3). This access is being provided (i) at any technically feasible point, (ii) on rates, terms and conditions that are just, reasonable and nondiscriminatory and (iii) in a manner that allows requesting carriers to combine elements in order to provide a telecommunications service. The access is being provided pursuant to tariff and interconnection agreements in each state.

35. Ameritech provides access to network elements located within wire centers on a physical collocation basis. Other forms of access to network elements can be accommodated if the elements are located outside of the wire center. Each of these access arrangements, as well as any other technically feasible wire center arrangements, are reviewed on an individual case basis, if requested by a CLEC.

### **Resale**

36. Ameritech currently is offering its telecommunications services for resale at wholesale rates by both telecommunications carriers and non-telecommunications carriers (see paragraph 15 above). Ameritech does not prohibit, or impose unreasonable or discriminatory conditions or limitations on, the resale of such services. Carriers are free to resell those services to other carriers. Therefore, Ameritech believes it is in compliance with Section 251(c)(4).

### **Notice of Changes**

37. In its Second Report and Order (Docket 96-98), the Commission adopted rules requiring ILECs to provide public notice regarding any network change that:

(1) will affect a competing service provider's performance or ability to provide service; or

(2) will affect the ILEC's interoperability with other service providers.

38. Carriers must include in their public notices, at a minimum, (1) the carrier's name and address, (2) the name and telephone number of a contact person,

(3) the implementation date of the planned changes, (4) the location(s) at which the changes will occur, (5) a description of the type of changes planned, and (6) a description of the reasonably foreseeable impact of the planned changes. The Commission identified two means by which a carrier could fulfill its public notice obligation: (1) by filing a public notice with the Commission or (2) through industry fora, industry publications, or the carrier's publicly accessible Internet site.

Ameritech has reviewed these rules internally with business unit and network personnel and has adopted procedures to file network change public notices directly with the Commission pursuant to filing requirements outlined in Section 51.329 (c).

39. As a result of Ameritech's ongoing filing of such public notices, it believes it is in full compliance with Section 251(c)(5).

#### **Collocation**

40. Ameritech is providing collocation consistent with Section 251(c)(6). Ameritech provides physical and virtual collocation to competitors in each state, under approved interconnection agreements and tariffs. Ameritech makes collocation available on terms and conditions and at rates established in the relevant agreements and also pursuant to tariff.

41. As of May 1, 1998, competing carriers were physically collocated in 113 and virtually collocated in 166 Ameritech wire centers, with 21 more wire centers scheduled for physical and 56 more scheduled for virtual activation in the third quarter of 1998. By collocating in those 263 offices, CLECs have the ability to